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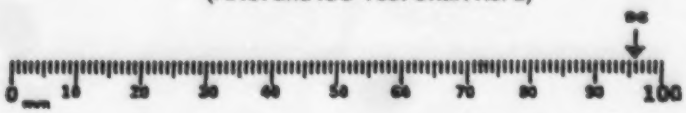

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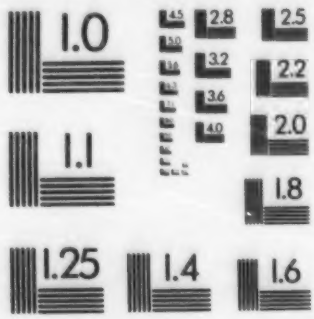

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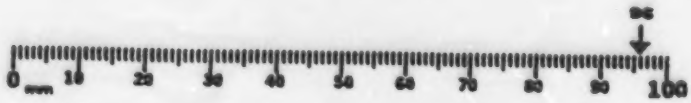

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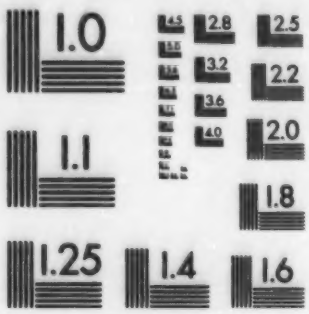

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Nova Scotia Department of Health
Budget Review and Implementation Planning
February 2001

Report Date: September 2001

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Nova Scotia Department of Health
Budget Review and Implementation Planning

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Executive Summary

On January 25, 2001, the Department of Health made its initial budget presentation to Cabinet. At this time there were concerns raised with respect to the financial pressures facing the Department of Health. It was also recognized that the government did not have sufficient resources to assist the Department in developing further analysis to support the budget process. The Departments of Finance and Health and Treasury and Policy Board agreed that additional support would be provided by way of a joint Budget Review and Implementation Planning exercise.

Three private sector consultants were invited to participate along with representatives from the Departments of Health and Finance and Treasury and Policy Board. The review was intended to:

- Confirm the budget assumptions in the Department of Health's budget request
- Review specific initiatives proposed within the budget request
- Assist with development of budget communications
- Identify areas for further consideration subsequent to the review.

The review was conducted over a 3-week period in February 2001. Subsequent to the review, the Department of Health developed further presentations to Cabinet and received approval of a budget target. The House has now approved the Provincial budget.

As a result of this exercise, the review team, in collaboration with the Department of Health and representatives from the Department of Finance and Treasury and Policy Board has developed this report. The report focuses on issues discussed during the budget review and outlines:

- The significant progress the Department of Health has made with respect to laying the ground work for improved financial accountability and management in the health sector,
- The implementation plans that are underway at the Department of Health to address issues related to budgeting and financial management, and
- Areas for further consideration with respect to addressing financial management issues and improving the budget process generally.

Context for the Review

During the budget process in Nova Scotia, government departments are provided with budget targets for the upcoming year. They are asked to prepare a presentation to Cabinet indicating the financial pressures they face and the options available for operating within the budget target. Generally, departments make these presentations to Cabinet in January. Subsequent to these presentations, Cabinet engages in a budget approval process from which a Provincial Budget is tabled in the House.

On January 25, 2001, the Department of Health made its budget presentation to Cabinet. Subsequent to the presentation there were concerns raised about:

- The magnitude of the financial pressures faced by the Department and particularly whether the assumptions used to estimate the Department's financial pressures were reasonable,
- Whether the options presented could be reasonably implemented, and
- Whether the options presented represented all options available for operating within the budget target.

In addition to these concerns, it was recognized that the government did not have sufficient resources to assist the Department of Health in developing further analysis to support the budget process. The Departments of Finance and Health and Treasury and Policy Board agreed that additional support would be provided by way of a joint Budget Review and Implementation Planning exercise.

The Budget Review and Implementation Planning Exercise

The Department of Finance invited specific individuals from the private sector with experience in the health sector to assist the Department of Health in the exercise along with a number of senior civil servants from Finance and Treasury and Policy Board.

The review team consisted of three private sector consultants:

- Michael D. Casey, CA, CBV *Hemming & Co.* Mr Casey has had previous experience consulting for the Province, as well specific experience acting as financial advisor to Queen Elizabeth II Health Sciences Centre.

- Elaine Sibson, FCA *PricewaterhouseCoopers LLP.* Ms Sibson served as acting Chief Financial Officer for the Department of Health for a 13-month period in 1998/99. Elaine also has more than 10 years experience on the former Grace Hospital Board and the IWK Health Centre Board, including 5 years as Treasurer.

- Anna-Marie Stuart, MBA, CMA *Grant Thornton LLP.* Ms Stuart served as Executive Director, Corporate Services for the Department of Health from 1996 to 1998 and Manager of Accounting/ Interim Director of Finance for the Queen Elizabeth II Health Sciences Centre from 1989 to 1995. Anna also holds a Masters degree in Health Administration.

The Budget Review and Implementation Planning exercise was intended to accomplish the following:

- Confirm Budget Assumptions. More specifically, to review the assumptions used in the creation of the initial Budget, particularly the areas of Strategic Initiatives, Acute Care, Long Term Care, Insured Services, EHS and other Corporate Projects. Also, to look for revenue opportunities and/or options available to offset or reduce expenditure pressure. Finally, to consider the budgets submitted by the District Health Authorities (DHAs).

- Review Specific Initiatives. To consider the initiatives currently identified by the Department of Health and consider their short and long-term impact.

- Communications. To assist the senior management of the Department of Health in developing a Cabinet presentation on the options available to Government and the related implications.

- Go Forward Recommendations. To present any comments and recommendations arising out of the review exercise.

Due to the significant time pressures in the budget approval process, the review team was not able to address all the original objectives of the review. Instead, the review team focused on providing advice and feedback to the Department and identifying areas for future consideration subsequent to the budget approval process.

The exercise was a collaborative effort of the review team and senior executive of the Department of Health. The review team would like to acknowledge the complete participation, openness, and support of the Department of Health in this exercise.

The review was conducted over a 3- week period between February 9 and February 26, 2001. During that time, the review team participated in meetings with the Department of Health where the Department provided:

- A review of the planning process, including a review of the Department's strategic initiatives,
- A review of the Clinical Services Planning process and results,
- A review of the Home Care budget and statistics,
- A review of revenue assumptions and additional revenue options,
- A review of the submissions of the District Health Authorities based on a summary of these prepared by the Department, and
- A review of the Department's estimate for potential changes to physical plant within the system based on direction provided by the Clinical Services Planning process.

During these meetings, the review team provided feedback to the Department by:

- Asking questions to assess the reasonableness of the assumptions they had incorporated in their request,
- Identifying potential revenue options that the Department might consider for inclusion in its budget request, and
- Suggesting options for the format and approach to the presentation to Cabinet.

The review was not intended to be an audit. As such, participation in the review was limited to providing comments and suggestions on the information presented by the Department of Health.

The review team did not:

- Validate assumptions against external data sources or through additional, objective testing,
- Validate the reasonableness of implementation of any options identified by the Department,
- Review or comment on the appropriateness of levels of funding or policy directions within the budget, or
- Determine the contents or design of the presentation to Cabinet.

Subsequent to this review, the Department of Health made further presentations to Cabinet related to their budget. The Province subsequently tabled a Provincial Budget, which has since been approved by the House.

General Observations

Through the review, it was apparent that the Department had done extensive preparation in advance of their presentation to Cabinet and had, using the limited information available, developed reasonable estimates of the financial pressures facing the health system.

Throughout the review, the Department of Health also demonstrated that they had developed a clear vision and direction for the health system. They have an understanding of the issues they face in achieving the vision and have developed much of the implementation plan to allow the system to move towards the vision. The highlights of these plans are outlined under the heading *The Planning Framework*.

The Department of Health continues to face significant issues as they begin to implement their plans. The District Health Authorities (DHA's) are relatively new organizations and the framework for their financial reporting, business planning and overall accountability has yet to be established and implemented. Home Care, Long Term Care and Emergency Health Services programs represent significant financial pressures for the Department and plans for managing these pressures have begun to be implemented. Finally, all the Department's implementation plans recognize the significant financial, staffing and information constraints that exist in the Department and the health system generally. A more complete discussion of the implementation plans and the resource constraints under which they are being implemented is found in the section *Implementation Plans*.

Throughout the Budget Review and Implementation Planning exercise, several areas for further consideration were jointly identified. These include areas that relate to introducing cost reduction, cost containment or increased revenues for the Department, areas related to improving the internal planning accountability processes for the Department and areas related to improving the budget planning process generally. These are outlined under the heading *For Further Consideration.*

The observations and suggestions described in this report have been reviewed jointly with the Department of Health and the other senior civil servants involved in the exercise. Senior management of the Department of Health has provided commentary on their progress since the review.

The Planning Framework

The Department of Health has experienced considerable change over the last number of years, both in management and direction for the health system generally. For example, in the past four years the Department of Health has had four different Deputy Ministers, four different senior financial managers and has twice changed the composition of its Executive team. Home Care and the Emergency Health Services programs are relatively new in Nova Scotia and the management and governance structure for acute, mental health, addiction services and public health services has changed significantly in the past few years.

Current management has developed a clear vision for the health system, including identifying where strategic initiatives are required to allow Nova Scotia to implement this vision. They have engaged in a very successful Clinical Services Planning process for Acute Care Services this past year. The results of which will form the basis for health services planning for the acute care sector in the province

In addition to completing the Clinical Services Planning Process, the Department has recently undertaken a planning and priorities exercise to:

- actively manage the various initiatives planned and currently underway within the Department (work load inventory)
- understand its capacity to implement the initiatives
- prioritize the assignment of resources (financial and human) that it has available to implement the initiatives.

The Department's planning process including the Clinical Services Planning process and its results, are a very positive step towards:

- Establishing the Department's role in facilitating planning of the Health system
- Establishing credibility for the Department within the Health system
- Establishing an objective, apolitical means to evaluate the plans of DHAs and to develop policy and strategy options for the government
- Beginning the development of a comprehensive, evidence-based planning and management model for Nova Scotia.

The success of the plans that the Department has developed and achievement of the vision for the health system will depend in large part on continued leadership within the Department and continued support from government generally. The Department is encouraged to continue to build and maintain its relationship with the Department of Finance and Treasury and Policy Board to foster the level of support required to successfully achieve their plans.

Implementation Plans

The following section outlines some of the implementation plans underway at the Department of Health. These plans relate to the District Health Authorities as a whole, Home Care Nova Scotia, Long Term Care and Emergency Health Services. Together these entities represent over 65% of the Department's budget. This section also outlines the resource and information constraints within which these plans are being implemented. It is important to consider both the plans and constraints together because successful achievement of the former will depend largely on successful management of the latter.

District Health Authorities

DHA's currently manage almost 49% of the total Health budget. In the early-1990's, the Department moved from line by line budgeting for these services to a 'global funding' model. Following this, the Department no longer required these organizations to report operational and financial information to the Department. As a result, the Department has not had sufficient, timely or relevant information about the delivery of acute, mental health, addiction services or public health services to appropriately perform its stewardship role for this part of their budget.

The Department has developed a range of plans related to the business planning process, the accountability framework and funding formulas that in the medium to long term will allow them to address these financial management issues.

Business Planning

For the 2001-02 Business plan the Department of Health developed the following eight Strategic Directions.

1. Develop a clear vision and action plan for Long Term Care and Home Care to better meet the needs of the aging population of Nova Scotia.
2. Implement a Health Human Resource strategy which addresses recruitment, retention and renewal issues.

3. Implement the CHB/DHA system giving a strong voice to the citizens of Nova Scotia in shaping their health care system at the local level.
4. Take action to strengthen primary care in order to gain long-range health status improvements.
5. Develop a plan to address capital issues as related to information, equipment, and facilities.
6. Implement a provincial health strategy, which emphasizes disease and injury prevention in order to contain demands on illness-treating institutions.
7. Develop and implement a plan for the care of mentally ill adults, youth and children.
8. Continue to promote disease management.

These strategic directions will span several years and will necessitate the involvement of our non-health partners such as Community Services, Education, Justice, the Medical School as well as our DHA/CHB partners.

The District Health Authorities came into existence on January 1, 2001 and therefore had little time to adequately prepare for this year's business planning/budget process. Several DHAs did not submit business plans that met the requirements of the Department and several did not provide recommendations that would allow them to provide service within the fiscal target provided by the Department.

At this point however, all of the DHAs are aware of and endorse the Strategic Directions of the Department of Health and are developing their own strategic Mission, Vision and Strategic Directions in line with those cited above. The Department has provided the DHAs with the six Government Goals to add further context for their own goal/direction development.

There are several improvements planned for next year's business planning process. For example, next year's process will provide a more appropriate timeline for the preparation of DHA business plans and their review and approval by the Department. The Clinical Services Planning document will form a significant part of the input for assessing appropriate health services for the acute care sector during both the planning and allocation processes. This will allow the DHA's and the Department to better match clinical and fiscal plans. These changes represent a very positive step towards applying evidence-based decision making to system planning.

Financial Reporting

It is critical that these organizations provide the Department with appropriate and timely financial information to allow the Department to effectively contribute to the management of the Province's fiscal plan. Along with the improvements that the Department is introducing into the DHA business planning process, they are also introducing processes to improve the frequency and type of financial information being reported by the DHA's. The implementation of Meditech and the future implementation of common financial systems within this sector will also address the existing deficiencies in financial information.

The Accountability Framework

The Department has taken steps to enhance the overall performance accountability framework for the DHAs. Significant progress appears to have been made in defining these accountabilities and roles of the Department and the District Health Authorities. A Department of Health team consisting of a Director of Finance, Acute Care and the Director of Acute Care and Tertiary Services will monitor financial accountability. Any additional spending approval must come from senior officials within the department and must be within the overall targets

Funding Formula

A planned future step for improving the financial accountability for the DHA's is the development and introduction of a funding formula for services managed by the DHA's. The Department is proceeding with this initiative and include the Departments of Finance and Treasury and Policy Board in developing the implementation strategy to ensure that it is appropriately considered within the Provincial fiscal strategy.

These initiatives to improve the business planning process, financial reporting and the financial accountability for the DHA's are critical steps to ensuring appropriate financial control and accountability for the system.

Progress since the Review and Plans for the Future

The department has implemented the data collection phase of its Financial Reporting System. The first quarter reports are to be submitted by July 23rd, with deadlines established for the remaining quarter. Budgeted and actual results, along with statistical information will be uploaded to a web based tool that will produce reports allowing specific indicators to be monitored and certain sentinel indicators to prompt remedial

response. This initiative complies with national standards. The Department of Health, Department of Finance, TSS, and the DHAs are currently exploring options to implement SAP as a standard financial and Human Resource information system to increase breadth, depth, validity and timelines of operational data.

Home Care Nova Scotia

The current funding formula for the home care program provides little opportunity for changing the funding required in the short term. In addition, the Department of Health does not have sufficient information about the services provided through the program to assess the effectiveness and efficiency with which the program is currently being delivered.

Annual Home Care Nova Scotia spending has increased seven fold over the past decade. This is in large part due to the introduction of the current home care program, which was introduced in 1995/96. The current program was intended to provide additional services to Nova Scotians and to allow a shift in care from higher cost providers, such as the hospitals. The assumption that increased home care spending will provide corresponding cost reduction to the Acute Care and Long Term Care programs is not verifiable. The lack of information in home care makes it difficult to distinguish between spending that replaces other higher cost care alternatives and spending that represents new programs for unmet needs in the health care system.

The Department recognizes these issues and has developed plans to address many of them. A new Director of Continuing Care has been appointed to lead the development and implementation of these plans.

Efficiency of Home Care services

The Department intends to tender for home care services to ensure they are getting the lowest 'per service' cost. The Department does not currently collect information about the services provided through the home care program and the component cost of these services. They therefore cannot ensure that the current service delivery model is the most efficient. ***Before proceeding to tender, the Department has plans to review the current delivery models and cost structure for the program. This will ensure that the Department is able to assess responses to the tender against criteria for a 'most efficient' service delivery model as opposed to receiving responses for the lowest cost within an inefficient model.***

Management Information

The Department of Health is in the process of introducing an information tool to provide better information for case workers. ***Consideration should also be given to collecting a broader range of clinical, operational and financial information to allow the Department to better manage the program.***

Program Performance Measurement

In assessing the 'return on investment' of programs such as Home Care Nova Scotia, the Department of Health should consider segregating increased spending into that which is related to new services (unmet needs) and spending related to shifting service delivery to less expensive service providers. Understanding the amount of investment that is intended to facilitate cost containment in another part of the health system should allow better assessment of the impact of the investments.

Funding Formula

The Department plans to review the current funding formula for the home care program. In the longer-term, the integration of Home Care Nova Scotia to the DHA's will require a funding formula to ensure proper allocation of resources across the province. ***In addition, and somewhat related to the development of funding formulas, considerable work is required to:***

- ***Assess the types of Home Care services provided and/or to be provided in the future,***

- ***Determine private pay versus public pay policies for these services, and***
- ***Review the administrative processes for assessing ability to pay.***

Further, the Department will need to work with Finance and Treasury and Policy Board on the strategy for implementation of changes to the funding formula to ensure that appropriate transition funding is provided in the province's fiscal plan.

Progress since the Review and Plans for the Future

Currently the department is undertaking a review of the home care services currently being provided in the province. The scope includes what specific services are provided in which district by whom and at what cost.

Once that information has been gathered and analyzed the model for home care services will be developed. A well thought out RFP for the comprehensive delivery of home care services will be pursued.

Integration planning for Home Care Nova Scotia is currently being finalized. The DHAs, in the context of the total system, will determine the appropriate outcome for many of the areas discussed with the review team.

Long Term Care

The current funding formula for Long Term Care provides little opportunity for changing the total funding in the short-term. In addition, the increasing demand for these services, the physical state of Long Term Care facilities and the recent and planned introduction of new policies for Long Term Care services present additional financial pressures for the Department. In the longer-term, the integration of long term care to the DHAs will require a funding formula to ensure proper allocation of resources across the province.

The Department has developed plans for assessing the capital requirements for the sector and for reviewing the funding formula for Long Term Care. A new Director of Continuing Care has been appointed to lead the implementation of these plans.

As part of the funding formula review, the Department should consider the types of services that should be publicly paid as part of the program. The Department should review the income assessment process and assess options for expanding the assessment to include other measures of financial position (e.g. allow exemptions on certain assets while including others etc).

In addition the Department should assess the impact of the implementation of the universal classification policy introduced in February 2001. The department should also introduce this type of long-term financial impact assessment as part of the approval of policy changes for this and other programs.

Progress since the Review and Plans for the Future

There is a great deal of interest in pursuing a review of the financial assessment process including the scope of the assessment both from the provider and the consumer perspectives. This initiative will be considered for study within the 2002-2003 planning framework.

With input from the field a Business Planning Process was developed, implemented and evaluated for the 2001-2002 budget year. This was the first time the Long Term Care sector had engaged in such a process. All time lines were met and the budgets were in the hands of the providers 242 days earlier than previous years.

In addition, a comprehensive literature review on current funding models is underway as well as a review of pros and cons of implemented funding practices in the Long Term Care sector in other jurisdictions.

The department is currently developing an RFP for the procurement of software that will enable the assessment of facilities based on structure condition, functionality and usage. This will provide an objective decision support process for construction/remediation priority setting within the sector.

Emergency Health Services

The costs for the Emergency Health Services (EHS) program have increased almost three fold in the past seven years. This is in part due to the introduction of a high performance ambulance system and the acquisition of EHS services from an out-sourced service provider.

The original out-sourced contract was intended to:

- Provide alternative, lower cost care opportunities that could provide relief to other parts of the health system,
- Create an opportunity for a private sector company to leverage this experience to build a business that would eventually allow its fixed costs to be spread over a larger customer base – therefore decreasing costs to Nova Scotia, and
- Allow the Department to manage the contract and set direction rather than participate in direct service delivery.

Progress since the Review and Plans for the Future

A review of the EHS service is currently being conducted by an external consultant. Senior civil servants from other Departments, together with senior officials within the Department of Health , will be engaged in reviewing the results of the audit. Remedial action will be taken as necessary.

Resource Constraints

In addition to financial resource constraints, the Department of Health faces significant human resource constraints. As part of their recent planning exercise, the Department has dedicated considerable effort to matching existing human and financial resources to strategic initiatives to develop implementation plans that reasonably reflect their capacity to implement the initiatives. Over the last number of months, steps have also been taken to fill key roles within the Department to enable the Department to implement its vision.

Despite this, there remain significant resource constraints – both with respect to number of staff, appropriate skill sets and experience both in the Department and the District Health Authorities. These constraints will affect the pace at which the Department can implement the plans it has outlined. In light of these resource constraints, many of the recommendations for action outlined in this report may also be difficult to undertake in the short run.

In addition to continuing to develop implementation plans by matching available resources to priorities, the Department should also consider:

- ***Leveraging Existing Resources within government – available competencies include contract negotiation at Finance and Procurement, risk management/Third Party Liability at Transportation, human resource planning/ contract negotiation at DHR, capital planning at TPW, financial system implementation at Finance, IT planning at TSS, etc.***

- ***Identifying the appropriate role for the private sector – either on a purchased or voluntary basis. Examples might include the use of voluntary committees acquisition of specialty services such as research, analysis or project management.***

Progress since the Review and Plans for the Future

The Department of Health is currently and will in the future employ the private sector to conduct specialist services as appropriate. The department will continue to assess the advantages and disadvantages of private sector involvement on a project by project basis within the overall provincial government approach and will stay within the confines of the Health Privacy policies and regulations.

Information Constraints

Throughout the review there were many examples where the Department does not have the type of information it needs to manage the health system. For example, the Department does not have timely and relevant information about the services provided through the home care program, the operational performance of DHA's or the financial and operational performance of long-term care facilities. Information technology and the information it will provide are no longer 'nice to haves' but instead are critical to meeting the public's expectations for managing the health system. The Department has developed plans to address this gap, but is doing so within constraints related to funding, financing and resources (skills, numbers).

The Department and the Province should be encouraged to continue to implement these plans. Serious consideration should also be given to determining the role that the private sector can play in supporting the implementation of these plans – though providing expertise, skills sets, staff, funding and/or financing.

Progress since the Review and Plans for the Future

The Department of Health is in the process of implementing a health information strategic plan which includes:

- Rollout of a centralized hospital information based on Meditech software for all 34 hospitals outside of the Capital Health District but will be interfaced with the CHD systems. This is one of the most significant investments in health information technology in Canada. It will pave the way for valid information to make evidenced based clinical, operational and strategic decisions. As part of the rollout, the foundation will be laid to allow for the inclusion of information from other parts of the system, i.e. Long Term Care , Home Care and Primary Care as resources both human and financial permit.
- The implementation of a federally cost shared IT project as part of the Health Infrastructure Atlantic collaborative. This will support the province wide rollout of Single Entry Access information tools, which will provide additional information regarding the utilization of Home Care and Long Term Care services.

For Further Consideration

This section is intended to outline areas for further consideration with respect to the budget process –including the types of policy analysis that could be considered and changes to improve the budget process itself. The specific options for cost containment or increasing revenues that are outlined here were discussed as part of the budget review process. They are not intended to be a comprehensive inventory of options nor are they intended to represent any relative priority for the Department or for government. They are included in this report to allow the discussion from the budget review to be carried forward for further consideration.

Impact of the Academic Teaching Role in Nova Scotia

The Department estimates that the cost of providing health services in Nova Scotia are inflated by 10% to support the academic teaching environment. These incremental costs result from practises such as:

- Having a larger (and therefore higher cost) support structure
- Having physician offices within the hospital
- Having clinical trials research conducted at the hospital for which all actual direct and indirect costs may not be recovered
- Having, potentially, a greater amount of diagnostic testing

The Department is considering conducting a review of this issue, including development and implementation of policies to constrain or control some of the cost elements.

Accountability Process for Contracted Services

Staff within the Department manages contracts with private sector providers for services such as home care, EHS, medical payments and long- term care. Many of these contracts now incorporate performance or outcome expectations. Having the same staff responsible for developing the performance standards and monitoring performance by the contractor does not however provide an appropriate segregation of duties.

The Department is encouraged to strengthen its current internal accountability processes related to managing private sector contracts by having such contracts subject to regular review by:

- ***A party within the Department who is not able to direct the activities of the outsourced service provider, and/or***
- ***A committee including representatives outside the group that directs the activities of the outsourced provider (e.g. including representatives from Finance, Treasury Board or Procurement).***

Alternative Service Delivery

Alternative service delivery and private sector investment into certain aspects of the health system have been used in other provinces to enhance service delivery and to better manage health care spending. ***In conjunction with Finance and the Treasury and Policy Board, the Department should consider the role that private sector could or should play in financing and funding the health system.*** For example, the Department might consider establishing a process, in co-operation with Economic Development, for soliciting private sector financing ideas and for assessing how the Health sector can leverage this source of funds.

Revenue Opportunities

In light of the growth in health care costs, the province should continue to consider alternative sources of revenue for the health system. This could include introduction of tax initiatives that tie to the objectives within the Health system. Options might include:

- A payroll tax for employers or an individual tax premium for health similar to the programs in British Columbia, Alberta, Manitoba, Ontario, Quebec and Newfoundland, or a long-term care premium as exists in Germany.
- An enhanced tax credit for adults providing care to an elderly person who would otherwise require home care or long term care services, and/or
- Tax credits for business contributing to the building of the health system infrastructure.

The province should also continue to review other areas where public funding is used to subsidize non-insured services provided coincident to receiving required health care such as food costs, hotel costs, transportation costs, etc.

Progress since the Review and Plans for the Future

This is not within the jurisdiction of the Department of Health. Taxes are the responsibility of the Department of Finance. The Department of Finance is better equipped to respond to this section.

Timeframes for the Budget Process

The Budget Review and Implementation Planning exercise was initiated to address concerns arising through the budget planning process. The budget for the Department of Health represents over 40% of government's total program spending and the programs funded by the Department have an impact on all Nova Scotians. The Department's budget is therefore complex to explain.

The following options for improving the budget process should be considered:

- ***Introduce a process for having Cabinet review health policy implications with a fiscal impact in advance of the development of fiscal targets.***
- ***Develop processes for continual information sharing between the Department of Health, the Department of Finance and Treasury and Policy Board to ensure that***

all stakeholders involved in the budget process are informed about the options and implications of operating the health system within various fiscal targets.

Extend the amount of time allocated to the Department of Health throughout the budget approval process to correspond to the percentage of the total budget represented by this portfolio.

These types of changes would allow the Department of Health to:

- Fully explain the basis for their budget request,
- Fully explain the various options that exist for operating within the fiscal targets, and
- Fully explain the implications of these options.

Progress since the Review and Plans for the Future

All of these suggestions are being reviewed. The department has intiated an improved internal Business Planning process, which will compliment the overall government process. In the very near future the department will be engaged in dialogue with TPB to further enhance their level of understanding of some of the real pressures within the health care sector.

Format for the Department of Health Budget Presentation

The following suggestions with respect to the presentation of information within the budget approval process are intended to improve the quality of information available to support the decision making process.

Framework for presenting the budget information

During the budget approval process most departments described their budget in terms of the fiscal target for 2001/2002. The Department of Health took a different approach and described their budget in terms of the 2000/2001 target plus 2000/2001 actual spending plus expected funding increases (pressures) for 2001/2002. As a result, the Department had to describe both the format of the presentation and the options and implications during their presentation to Cabinet.

Prioritization of Fiscal Options

The Department has traditionally presented its budget on a program by program basis even though each program does not have the same capacity for short term cost containment or reallocation of funds. The implications of introducing cost containment or reallocation in each program are very different.

The Department has modified its budget presentation to show a prioritization of options for operating within the fiscal targets based on their relationship to the strategic direction for the health system. This approach was used in the presentation to cabinet on March 1 of this year and better supports a 'health system based' approach to decision making. This was viewed positively by all concerned.

Separation of Investments from New Programs

In order to better understand the objective of spending increases, the Department should make a distinction between new program spending and spending intended to allow re-direction of costs from other programs. Further, in evaluating the performance of these programs, a similar approach to assessing the impact of each type of spending could be taken to provide better information on 'return on investment'.

Presentation and Analysis of Policy Options

Several of the options presented as part of the budget approval process had significant policy implications beyond the specific option being presented. For example, many of the options for insured services, home care and long term care were related to the Province's overall policy position on the role of private funding within the health system.

The Department, as part of its presentation to Cabinet, should ensure that it identifies these broad policy issues and provide a range of options within the policy issue as possible. Further, the Department should work toward ensuring that such broad policy issues are discussed with Cabinet in advance of the budget approval process to ensure fully informed discussion and decision-making.

Multi-year Forecasting and Budgeting

Many of the initiatives that the Department of Health has recommended as part of the implementation strategy for achieving the vision for the health system will be implemented over several years. Similarly, many of the options for cost reduction or cost restraint can only be accomplished in a multi-year timeframe.

The Department should consider expanding its current forecasting and budgeting processes to include multi-year projections. The Department should also extend the requirement for multi-year forecasting and budgeting to funded organizations such as the DHAs, Long-Term Care facilities and the EHS program.

In order to effectively implement a multi-year perspective, the budget targets within the provincial fiscal plan should indicate projected targets for future years.

Progress since the Review and Plans for the Future

The Department of Health requested this last year. Due to the newness of the DHA structure this was not possible in the time frame allotted. All of the DHAs are aware that multi year forecasting is an expectation for this coming fiscal exercise.